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BIWEEKLY REPORT

SINO-SOVIET BLOC ECONOMIC ACTIVITIES IN UNDERDEVELOPED AREAS

EIC-WGR 1/54

3 March 1958

PREPARED BY THE WORKING GROUP
ON SINO-SOVIET BLOC ECONOMIC ACTIVITIES
IN UNDERDEVELOPED AREAS

ECONOMIC INTELLIGENCE COMMITTEE



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These biweekly reports on "Sino-Soviet Bloc Economic Activities in Underdeveloped Areas" are prepared and issued by a Working Group of the Economic Intelligence Committee, including representatives of the Departments of State, the Army, the Navy, the Air Force, Commerce, and Agriculture; the International Cooperation Administration; the Office of the Secretary of Defense; and the Central Intelligence Agency. Their purpose is to provide up-to-date factual information on significant developments in the economic relations of Sino-Soviet Bloc countries with underdeveloped countries of the Free World. The EIC-R-14 series of reports, under the same title, provide periodic summaries and analytical interpretations of these developments.

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Summary of Events
14 - 27 February 1958

In the period from 1 January 1954 through February 1958 the Sino-Soviet Bloc extended nearly \$2 billion in credits and grants to underdeveloped countries of the Free World, of which about \$380 million were for the purchase of arms. It is estimated that during the last 6 months of 1957, 1,585 Bloc industrial, agricultural, and other professional specialists were working in underdeveloped countries.

Afghanistan has officially informed the US that the Afghan arms credit agreement with the USSR amounts to \$25 million and the one with Czechoslovakia, \$7.4 million. Reports on the delivery of Soviet military equipment and supplies suggest that their value greatly exceeds the stated amount of the loan. It is also reported that the Afghan armed forces are being reorganized, modernized, and expanded under Soviet guidance and assistance.

The governments of Ceylon and the USSR signed a trade and payments agreement on 8 February and an economic cooperation agreement on 25 February. The trade and payments agreement, for which no values were indicated, is a 1-year accord with automatic renewal. Under the economic cooperation agreement, Ceylon is to receive a credit of approximately \$30 million from the USSR for development projects and flood rehabilitation work as well as technical assistance and training.

Other events during the period 14 - 27 February 1958 include the report that the USSR has renewed its offer to Indonesia to make available foreign exchange in any amount required as a result of present difficulties. At the same time, the Indonesian government is engaged in discussions with Chinese authorities for a credit to Indonesia of \$250 million, of which about \$220 million reportedly is to be used for purchasing arms in Eastern Europe. It is also reported that the Indonesian government has accepted "in principle" a Soviet offer of ships involving four 4,000-DWT vessels and 6 smaller ships.

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An air agreement was recently signed between India and the USSR calling for weekly flights between Delhi and Moscow via Tashkent to begin 15 August 1958. The USSR has also agreed to defer for a period of 3 years the payment of annual installments that will be due on Soviet machinery presently being delivered under the \$132-million Bhilai steel mill loan.

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